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In the Supreme Court of the United States

October Term, 1972

No. 72-52

SKIL CORPORATION,
Petitioner,

vs.

LUCERNE PRODUCTS, INC.,
Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

BRIEF OF RESPONDENT IN OPPOSITION

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BRIEF OF RESPONDENT IN OPPOSITION

ISSUES PRESENTED

(1) Is it an abuse of discretion for a district court, which acquired jurisdiction of a patent suit by transfer from the originating district, to enjoin the plaintiff, which in an effort to avoid such jurisdiction, files a subsequent action in the originating district involving the same patents but naming additional parties, from proceeding in said subsequently filed action with respect to those issues raised in the prior action during the pendency thereof?

(2) Where a district court grants plaintiff leave to add another cause of action on condition that the entire action thereupon be transferred to another district, is such

plaintiff estopped from defeating the effect of such transfer order by filing a second suit in the originating court based on the same subject matter but with additional parties thereto?

(3) In an action wherein upon a complete review of the record the Court of Appeals is satisfied that the trial judge did not abuse his discretion in restraining the prosecution of a subsequent action in another district should such conclusion be regarded as conclusive when the judgment is correct on the facts found?

STATEMENT OF THE CASE

While some of the salient facts with respect to the case history are set forth in the petition filed herein, other pertinent facts, essential to a proper understanding of the issues presented have been either intentionally omitted or improperly stated. It should be apparent from the size of the record that the situation is far more involved than the over-simplified version set forth in the petition would indicate.

Introduction

There were three suits filed originally, all dealing with speed control devices for portable electric tools manufactured by three corporations, viz. Arrow Hart, Inc., Skil Corporation and Lucerne Products, Inc. The alleged infringing device is a complete interchangeable and replaceable unit designed to fit into the handle of standard portable electric hand tools, which serves as an on-off switch but also permits the speed to be varied by pressure on the trigger control. These devices are manufactured by each of the corporations named, each claiming protection under

various patents. Skil owns two patents referred to as Gawron and Frenzel, while Lucerne controls patents identified as Slater and Matthews.

The earliest suit was filed by Lucerne Products, Inc. against The Black & Decker Mfg. Co. in Cleveland (Case No. C67-723) based on an alleged infringement of the Slater and Matthews patents. Arrow-Hart, Inc. intervened and was substituted as defendant.

The Cleveland Action

This suit was filed by Skil against Lucerne in the Northern District of Illinois on July 12, 1968 (Case No. 68C-1290) based on infringement of the Gawron and Frenzel patents. Lucerne counterclaimed infringement of its Slater and Matthews patents. Because the Skil device was manufactured by Arrow Hart, Inc., it intervened as a party defendant, and subsequently moved to have the case transferred to Cleveland for consolidation with C69-723. Skil moved for a summary judgment on Counts I and III of its complaint, because under case law then existing, Lucerne as a licensee under the Gawron and Frenzel patents was estopped to deny their validity. Judge Will granted the motion but specified that this order was not to become final until judgment was entered on the entire case.

In proceedings held on June 6, 1969, Judge Will permitted Skil to add Count IV, conditioned upon the presentation of an order transferring the entire case to Cleveland (Appendix page 13). Such an order was submitted and signed by Judge Will on that date, whereupon the case was transferred to Cleveland, and became Case No. C69-461.

On October 24, 1969, Skil moved for a consolidation of the counterclaims in the two pending actions, viz.

C67-723 and C69-461 and filed its reply in the latter case asking for a declaration that the Slater and Matthews patents are invalid and not infringed by it.

Subsequent thereto, this Court in *Lear, Inc. v. Adkins*, 395 U.S. 653, reversed the rule that a licensee is estopped to deny the validity of its licensor's patent, whereupon Lucerne moved to vacate the summary judgment order previously issued by Judge Will in Chicago. On December 5, 1969, Skil filed a motion to transfer C69-461 to Chicago for a ruling on Lucerne's motion to vacate the summary judgment order and in its supplemental memorandum filed on December 29, 1969, expressly stated:

> "Plaintiff does not object to the Cleveland forum for adjudication of the counterclaim litigation to which it is a party. Plaintiff desires only to have its contract action returned to the Chicago court for consideration of the important issue presented by handing down of the *Lear* decision subsequent to entry of judgment by Judge Will. The nature of the controversy between plaintiff and defendant, i.e., the contract or patent validity, will be determined by Judge Will's ruling on defendant's motion to file the amended answer. After such decision, the Chicago court can then determine the proper forum for the litigation and take appropriate action with respect thereto."

Upon transfer of the case to Chicago, Judge Will made the requested rulings with respect to the summary judgment order and re-transferred the entire action to Cleveland (Appendix page 18).

Upon re-transfer, by order dated November 5, 1970, Judge Green ordered that all issues in Case C69-461 relating to the Slater and Matthews patents be consolidated with Case C67-723 and that all discovery proceedings in

either case be applicable to both. These cases have been assigned to Judge Lambros and will be tried during the fall term.

The Chicago Action

While the complaint filed by Skil in 70 C 2858 did charge the defendants Rockwell and Wen with infringement of the Gawron patent, said patent is designated as "a System for Controlling Electric Motors in Power Tools and the Like" and is nothing more than the speed control device made by Lucerne which is the basis for "the Cleveland Action". Shortly after filing this suit, Skil on January 7, 1971, filed a motion in the Cleveland Action C69-461 for leave to dismiss Counts I and II of the complaint filed therein, which was denied. It is, therefore, patent on the face of the record that the main purpose of filing the Chicago Action was to split the Cleveland Action and to obtain indirectly what had been denied by three district judges in four separate instances, viz. a transfer of the Gawron patent litigation to the Northern District of Illinois. It should be noted that by petitioner's own admission, Count I of the Amended Complaint filed in this suit charges infringement of the Gawron patent and that Counts II and III are substantially identical with Counts I and II in the Cleveland Action (page 6 of Petition herein).

Proceedings Relating to Priority Between The Cleveland and Chicago Actions

Since the Cleveland action was initially filed on July 12, 1968, and was transferred to the Northern District of Ohio, Eastern Division, with Skil's consent on June 6, 1969, there can be no doubt but that that court's jurisdiction antedates the November 16, 1970, filing of the complaint in the Northern District of Illinois. Whatever differences

District Court Judges Lambros and Hoffman may have in their respective views, it is quite apparent from the case histories above set forth that petitioner herein is attempting to play up these differences to cover up its attempt to manipulate the courts to its own advantage. Counsel for petitioner in their zeal attack the integrity of the Sixth Circuit Court of Appeals, dishonor this Court by knowingly making the false representation that respondent had not moved in the Chicago Action to transfer that case to Ohio, that such motion had never been granted and later denied and that Judge Hoffman ever intended to transfer the Chicago Action (Page 9 of Petition). We refer the Court to minute order of Judge Hoffman dated November 3, 1971, shown on Appendix page 18.

Petitioner's claim that Judge Lambros issued his injunction order of February 29, 1972, without a hearing based only on arguments of counsel and conflicting affidavits (Paragraph 1 on page 8 of Petition) is effectively dealt with in second paragraph (Page 2a of Petition) of the Order of The Sixth Circuit Court of Appeals, as well as in the order of Judge Lambros (pages 4a and 5a of Petition).

REASONS WHY THE WRIT SHOULD BE DENIED

I. The Issues As Set Forth by Petitioner Are False Issues Based on Deliberate Misrepresentation of the Facts and Authorities Cited.

We respectfully suggest that even a cursory reading of the orders of Judge Lambros and of the Sixth Circuit Court of Appeals indicates that both of these tribunals support the doctrine of avoiding "needless duplicative patent litigation as a matter of federal patent policy." There may be some differences of opinion as to how this is best accomplished in a particular situation, but that must be left

to the discretion of the trial court, especially in a situation as complex as this one. We further suggest that a plaintiff which permits an action filed by it in 1968 to lie fallow and concentrates its effort to bring to trial an action based on the same subject matter filed by it two years later, owes some explanation for its resistance to the jurisdiction of the first court.

The assertion by petitioner as its second reason for granting the writ (page 11 of petition) that there is a conflict between decisions in the Sixth and other circuits is no more reliable than its previously proven misrepresentations. An examination of the cases allegedly in conflict fails to disclose any conflict. In *United States Time Corp. v. Hamilton Watch Co.*, 327 F.2d 338, it was held that the district court had discretion to deny a motion for a preliminary order to restrain a subsequent suit. In *Triangle Conduit & Cable Co. v. National Electric Products Corp.*, 138 F.2d 46, the court held "that the injunction against the prosecution of the *severed* causes of action against Sears should not have issued." *Minnesota Mining & Mfg. Co. v. Polychrome Corp.*, 267 F.2d 772, holds "that in denying the injunctive relief prayed for as to pending or future litigation, it did not abuse its discretion". *American Chemical Paint Co. v. Thompson Chemical Corp.*, 244 F.2d 64 is clearly distinguishable on the basis of this language found on page 66:

> "Considerations of comity and judicial self restraint should deter one court from thus in effect, overruling the decision of a court of coordinate jurisdiction. If there may be cases where such an overruling injunction is warranted to protect the initial court's power to act, it is sufficient to say that this is not the case."

In this connection, we point out that Judge Lambros's order was filed on February 29, 1972, while the order of Judge Hoffman was filed on March 2, 1972.

We submit that none of these cases are in conflict with the order of the Sixth Circuit Court of Appeals filed April 24, 1972.

Likewise, petitioner's attempt to distinguish the Chicago action from a customer's suit is based on something less than the whole story since the only infringement claimed relates to the speed control switch covered by the Gawron patent and which is made entirely by respondent. It is true that this device is inserted in the handle of the tool assembled by Lucerne's customers and sold by them. We submit that the established rule applies to two simultaneously pending cases dealing with the same patent and not with the identity of the products sold. *Remington Products Corporation v. American Aerovap, Inc.*, 77 F. Supp. 644, affirmed 192 F.2d 872.

II. By Its Previous Conduct, Petitioner Is Estopped from Seeking to Avoid the Jurisdiction of the Ohio District Court.

The case history above set forth clearly establishes the fact that Judge Will permitted Skil to add Count IV on condition that the entire case be transferred to Cleveland. After receiving the benefit of that order, Skil not only sought to renege, but has made repeated attempts to prevent the first case from going to trial. We submit that the case history indicates repeated attempts by Skil to manipulate the courts and to circumvent four separate orders by Judges Will, Green and Lambros each holding that this action is properly tried in the Northern District of Ohio. We respectfully submit that this Court ought to deny the petition on that basis alone.

The claim that justice moves more rapidly in the Northern District of Illinois is pure sham, since petitioner has deliberately and purposely delayed and postponed discovery proceedings in Ohio with a correspondent concentration on preparation of the Chicago action.

III. The Only Legal Issue Which Can Be Raised in This Action Is Whether Judge Lambros Abused His Discretion in Restraining Skil from Proceeding.

The Sixth Circuit Court of Appeals found no abuse of discretion on the part of Judge Lambros. As stated in *Westinghouse Electric Corp. v. Free Sewing Machine Co.*, 256 F.2d 806:

> "Upon an appeal from the granting or denial of a preliminary injunction, this Court has a very limited scope of review . . . The sole issue here is whether the district court abused his discretion. Weiner v. Nat'l Tinsel Mfg. Co., 123 F.2d 96, 97: Doeskin Products, Inc. v. United Paper Co., 195 F.2d 356, 360-361."

The basis for its order is spelled out therein, viz. "after a complete review of the record." We submit that that order should stand.

The issues presented in the petition have little relation to any abuse of discretion by Judge Lambros in issuing his order of February 29, 1972. In effect this Court is being urged to nullify two orders of Judge Will dated June 6, 1969, and September 24, 1970 respectively, on the issue of forum conveniens concerning which Judge Will stated:

> ". . . this Court has previously determined that this entire action properly belongs in Ohio because of the pendency there of a related suit by Lucerne and

Slater Electric, Inc. against Arrow-Hart, Inc., the latter being a counterclaim defendant in the present suit.

Our colleague in Ohio (165 USPQ 382) likewise recognized the propriety of retaining the present suit there as a companion case to the suit by Lucerne and Slater Electric, Inc. The Court there acknowledged that it would be more convenient for the parties and witnesses to have the action tried in Ohio rather than in Illinois . . .

We see no new elements in these proceedings which lead to a conclusion that the original decision to transfer this case to enable the litigation to proceed with all the parties in one forum was incorrect. Therefore, defendant's motion pursuant to 28 U.S.C. 1404(a) to transfer the entire litigation back to the District Court for the Northern District of Ohio Eastern Division, is granted."

We submit that Judge Lambros had every right to rely on the order of Judge Will and that his order of February 29, 1972, was not only proper but was necessary to follow the law of case as previously determined and to maintain the priority jurisdiction of the District Court for the Northern District of Ohio.

CONCLUSION

The record in this case and the case histories set forth, clearly demonstrate bad faith on part of Skil. For some reason best known to petitioner, frantic efforts are being made to prevent the Skil Cleveland case from going to trial. Having tacitly accepted the original transfer to Cleveland by "trading" such consent for leave to file another count

to its complaint, petitioner is now estopped from seeking to have the issues tried in another district in a subsequent suit.

Respectfully submitted,

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APPENDIX

EXCERPT FROM TRANSCRIPT OF PROCEEDINGS BEFORE JUDGE HUBERT L. WILL

No. 68 C 1290

IN THE UNITED STATES DISTRICT COURT
Northern District of Illinois
Eastern Division

SKIL CORPORATION, a Delaware corporation,
Plaintiff,

vs.

LUCERNE PRODUCTS, INC., an
Ohio corporation,
Defendant,

vs.

ARROW-HART, INC.,
Intervenor.

TRANSCRIPT OF PROCEEDINGS

had in the above-entitled cause, before the Honorable HUBERT L. WILL, one of the judges of said court, in his courtroom in the United States Court House, Chicago, Illinois, on June 6, 1969, at the hour of 10:00 a.m.

PRESENT:

Mr. C. J. FLEMING,
on behalf of Plaintiff;
Mr. JAMES G. STAPLES, and MR. EGAN,
on behalf of defendant Lucerne Products, Inc.;

MR. ANTHONY R. CHIARA,
on behalf of Intervenor Arrow-Hart.

* * * * *

[16] The Court: I will grant you leave to file Count IV; if you will tender me an order transferring the rest of this case to Cleveland, Mr. Egan and Mr. Fleming, I will transfer it.

Mr. Egan: I will agree to that.

The Court: It seems to me that is where you belong.

Mr. Fleming: Your Honor, I will withdraw the motion, without prejudice.

The Court: You withdraw it? Where are you going to litigate this question of the Black and [17] Decker switch and the Frenzel license?

Mr. Fleming: We can file a separate suit.

Mr. Egan: Your Honor, if it is filed in this district—

The Court: I think you tried to withdraw it too late. I have already granted leave to file it and order the case transferred to Cleveland. I really think I am doing you a favor. I don't know why you have been reluctant to go down to Cleveland. I don't understand that.

Mr. Fleming: They don't move as expeditiously as you do.

The Court: They don't move as fast as we do? That is not grounds for—

Mr. Egan: I think we can change that, your Honor.

Mr. Fleming: I am trying to collect some money from my clients.

The Court: I understand that. If you told me you didn't want to go to Cleveland because it is more expensive for your client, or you have to retain Cleveland counsel, that I would have understood. That makes a lot of sense, except, I think we get as much business in Cleveland as they get [18] from us, so I don't worry about that in

the long run. But, it seems to me, the more I see about this every time I turn around you have got a new lawsuit.

You file a lawsuit, three counts. I grant summary judgment on two of them, and they have got a counterclaim.

I ship that counterclaim off to Cleveland. They have got another counterclaim. I let them file that, and you come along with another count to the complaint.

As far as I am concerned, I think this ought to be in one place so that this endless development of new controversy can be resolved in one forum.

I think the whole thing ought to—you know, if the Cleveland people want to ship the whole thing here, I will be glad to be the referee in the tag match, but it seems to me that would be the tail wagging the dog pretty much because most of it is down there already.

Mr. Egan: Arrow-Hart has agreed to go to Cleveland and we have always agreed to go to Cleveland.

MEMORANDUM OPINION OF JUDGE HUBERT L. WILL

(Dated September 24, 1970)

68 C 1290

UNITED STATES DISTRICT COURT
Northern District of Illinois
Eastern Division

SKIL CORPORATION,
Plaintiff,

vs.

LUCERNE PRODUCTS, INC.,
Defendant,

and

SLATER ELECTRIC, INC.,
Co-counterclaimant,

vs.

ARROW-HART, INC.,
Intervenor.

MEMORANDUM OPINION

This is an action involving patent royalties and claimed breach of a license agreement by the licensee. The plaintiff licensor in the involved agreements is Skil Corporation (hereafter "Skil") and the defendant-licensee is Lucerne Products, Inc. (hereafter "Lucerne"). The defendant has moved this Court to vacate its prior summary judgment of May 28, 1969, to grant leave to file a second amended answer and counterclaim, and to re-transfer this case to the District Court for the Northern District of Ohio, Eastern Division, for further proceedings.

* * * * *

IV

The next motion requiring resolution is Lucerne's motion to stay further proceedings and to transfer the case back to the District Court for the Northern District of Ohio, Eastern Division. As noted above in Part I of this opinion dealing with the history of this complicated litigation, this Court has previously determined that this entire action properly belongs in Ohio because of the pendency there of a related suit by Lucerne and Slater Electric, Inc. against Arrow-Hart, Inc., the latter being a counterclaim defendant in the present suit.

Our colleague in Ohio likewise recognized the propriety of retaining the present suit there as a companion case to the suit by Lucerne and Slater Electric, Inc. The Court there acknowledged that it would be more convenient for the parties and witnesses to have the action tried in Ohio rather than in Illinois and further noted that his sole motivation for returning the case to Illinois was to avoid second guessing another District Court judge; thus he allowed this Court to rule on the motions relating to the prior summary judgment. The District Court judge acknowledged his willingness to re-accept jurisdiction over the entire litigation after this Court ruled on those motions and even went so far in support of his belief that the litigation properly belonged in Ohio as to grant certain motions of the parties conditioned upon the return of the litigation to that Court.

We see no new elements in these proceedings which lead to a conclusion that the original decision to transfer this case to enable the litigation to proceed with all the parties in one forum was incorrect. Therefore, defendant's motion pursuant to 28 U.S.C. 1404(a) to transfer the entire litigation back to the District Court for the Northern District of Ohio, Eastern Division, is granted.

* * * * *

4. The entire action will be ordered transferred to the District Court for the Northern District Court of Ohio, Eastern Division.

5. Plaintiff's motion to sever the counterclaims and proceed with same separately will be held in abeyance for consideration by the District Court for the Northern District of Ohio, Eastern Division.

/s/ HUBERT L. WILL
United States District Judge

MINUTE ORDER OF JUDGE JULIUS J. HOFFMAN

(Entered November 3, 1971)

UNITED STATES DISTRICT COURT
Northern District of Illinois,
Eastern Division

Name of Presiding Judge, Honorable Julius J. Hoffman

Cause No. 70 C 2858 Date 10-29-71

Title of Cause—Skil Corp. vs. Rockwell Mfg. Co., et al.

"Motion of defendant Lucerne Products, Inc. to dismiss Counts I and II of the Amended Complaint *denied;* to transfer this cause to the United States District Court for the Northern District of Ohio, Eastern Division *allowed;* for an injunction *denied;* and for an award of reasonable attorneys' fees *denied.*"

"See *Schneider v. Sears,* 265 F. Supp. 257 (D.C.N.Y. 1967); 28 U.S.C.A., Section 1404(a); *General Tire and Rubber Co. v. Watkins,* 373 F.2d 361, cert. denied 386 U.S. 960."